

BELFRY GAS COMPANY, INC.

Post Office Box 504
Allen, Kentucky 41601
(606) 874-2846

August 24, 2006

RECEIVED

AUG 30 2006

PUBLIC SERVICE
COMMISSION

Public Service Commission
Attn: Beth O'Donnell
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Case No. 2006-00394

Dear Ms. Donnell:

Please find enclosed Belfry Gas Company's PGA for October 1, 2006, thru January 1, 2007.

If you have any further questions, please feel free to contact me at the above address or telephone number.

Sincerely,

Stephen G. Jenkins

Stephen G. Jenkins, Manager
Belfry Gas Company, Inc.

Enclosure

Case No. 2006-00394

BELFRY GAS COMPANY, INC.

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed:

AUGUST 28, 2006

Date Rates to be Effective:

OCTOBER 1, 2006

Reporting Period is Calendar Quarter Ended:

JUNE 30, 2006

SCHEDULE I
GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 8.7981
+ Refund Adjustment (RA)	\$/Mcf	(.0006)
+ Actual Adjustment (AA)	\$/Mcf	(.0139)
+ Balance Adjustment (BA)	\$/Mcf	0
= Gas Cost Recovery Rate (GCR)	\$/Mcf	\$ 8.7836

GCR to be effective for service rendered from Oct. 1, 2006 to Dec. 31, 2006

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Schedule II)	\$	371,974
+ Sales for the 12 months ended <u>JUNE 30, 2006</u>	Mcf	42,279
= Expected Gas Cost (EGC)	\$/Mcf	8.7981
<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	0
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	(.0006)
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	(.0006)
= Refund Adjustment (RA)	\$/Mcf	(.0006)
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	(.0004)
+ Previous Quarter Reported Actual Adjustment	\$/Mcf	(.0065)
+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	(.0014)
+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(.0056)
= Actual Adjustment (AA)	\$/Mcf	(.0139)
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	0
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	0
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0
= Balance Adjustment (BA)	\$/Mcf	0

SCHEDULE II
EXPECTED GAS COST

Actual* Mcf Purchases for 12 months ended JUNE 30, 2006

(1) <u>Supplier</u>	(2) <u>Dth</u>	(3) Btu <u>Conversion Factor</u>	(4) <u>Mcf</u>	(5)** <u>Rate</u>	(6) (4)x(5) <u>Cost</u>
KINHAG DEVELOPMENT COMPANY, LLC	35,241	1.20	42,289	8.796	\$ 371,974

<u>Totals</u>	<u>35,241</u>		<u>42,289</u>		<u>\$ 371,974</u>
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Line loss for 12 months ended JUNE 30, 2006 is .0237 % based on purchases of 42,289 Mcf and sales of 42,279 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	371,974
+ Mcf Purchases (4)	Mcf	42,289
= Average Expected Cost Per Mcf Purchased	\$/Mcf	8.7960
x Allowable Mcf purchases (must not exceed Mcf sales + .95)	Mcf	42,289
= Total Expected Gas Cost (to Schedule IA.)	\$	371,974

*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.
**Supplier's tariff sheets or notices are attached.

SCHEDULE III
SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended JUNE 30, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	0
+ Interest	\$	0
<hr/>		<hr/>
= Refund Adjustment including interest	\$	0
+ Sales for 12 months ended <hr/>	Mcf	0
<hr/>		<hr/>
= Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	0

SCHEDULE IV
ACTUAL ADJUSTMENT

For the 3 month period ended JUNE 30, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Month 1 (APR)</u>	<u>Month 2 (MAY)</u>	<u>Month 3 (JUNE)</u>
Total Supply Volumes Purchased	Mcf	4331	1339	1244
Total Cost of Volumes Purchased	\$	45,787	14,155	13,151
+ Total Sales (may not be less than 95% of supply volumes)	Mcf	4331	1339	1244
= Unit Cost of Gas	\$/Mcf	10.5719	10.5713	10.5715
- EGC in effect for month	\$/Mcf	10.5742	10.5742	10.5742
= Difference [(Over-)/Under-Recovery]	\$/Mcf	(.0023)	(.0029)	(.0027)
x Actual sales during month	Mcf	4331	1339	1244
= Monthly cost difference	\$	(10)	(4)	(3)

	<u>Unit</u>	<u>Amount</u>
Total cost difference (Month 1 + Month 2 + Month 3)	\$	(17)
+ Sales for 12 months ended <u>JUNE 30, 2006</u>	Mcf	42,279
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	(.0004)

SCHEDULE V
BALANCE ADJUSTMENT

For the 3 month period ended JUNE 30, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total Cost Difference used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	
Less: Dollar amount resulting from the AA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the AA was in effect.	\$	
Equals: Balance Adjustment for the AA.	\$	_____
(2) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the RA was in effect.	\$	
Equals: Balance Adjustment for the RA.	\$	_____
(3) Total Balance Adjustment used to compute BA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	
Less: Dollar amount resulting from the BA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the BA was in effect.	\$	
Equals: Balance Adjustment for the BA.	\$	_____
Total Balance Adjustment Amount (1) + (2) + (3)	\$	
+ Sales for 12 months ended _____	Mcf	
= Balance Adjustment for the Reporting Period (to Schedule ID.)	\$/Mcf	○

KINHAG DEVELOPMENT COMPANY, LLC
P.O. BOX 155
ALLEN, KY 41601

August 24, 2006

Belfry Gas Company, Inc.
P.O. Box 504
Allen, KY 41601

RE: Gas Purchase Contract

Gentlemen:

This is to notify you that there will be a gas price adjustment effective October 1, 2006. Your company will be charged a cost of \$8.7960 per MCF delivered. This amount is calculated based on the terms of the contract between Belfry Gas Company, Inc., and Kinhag Development Company, LLC, and the most current FERC Index as of August 14, 2006. Enclosed is a copy of the NYMEX summary, with the Index indicated at the bottom.

Sincerely,



KINHAG Development Company, LLC

Enclosure

NYMEX

14 Aug. 06 - Settle

Month	Price	Change	Highest	Lowest
Sept.	6.913	-.356	11.243	1.484
Oct.	7.088	-.382	13.907	1.406
Nov.	8.803	-.247	14.338	1.772
Dec.	10.318	-.162	14.764	1.661
Jan.	11.078	-.122	15.378	1.639
Feb.	11.093	-.117	15.427	1.046
Mar.	10.787	-.117	15.287	1.249
Apr.	8.543	-.082	11.508	1.418
May	8.380	-.080	11.158	1.596
June	8.462	-.080	11.180	1.685
July	8.562	-.080	11.213	1.517
Aug.	8.647	-.078	11.253	1.385

Ave. = 9.0562

9.0562 + .28 = 9.3362

ALL TIME HIGH 12.7018

SEPT. CRUDE 73.38 -.97

ALL TIME HIGH 77.03

DOW 11,097.87 +9.84

ALL TIME HIGH 11,722.90

NASDAQ 2,069.04 +11.39

22 Aug. through 28 Aug. - The Northeast will be somewhat cooler than normal. The Southwest will be somewhat warmer than normal.

INSIDE FERC INDICES FOR AUGUST

COLUMBIA APPALACHIA = \$7.23

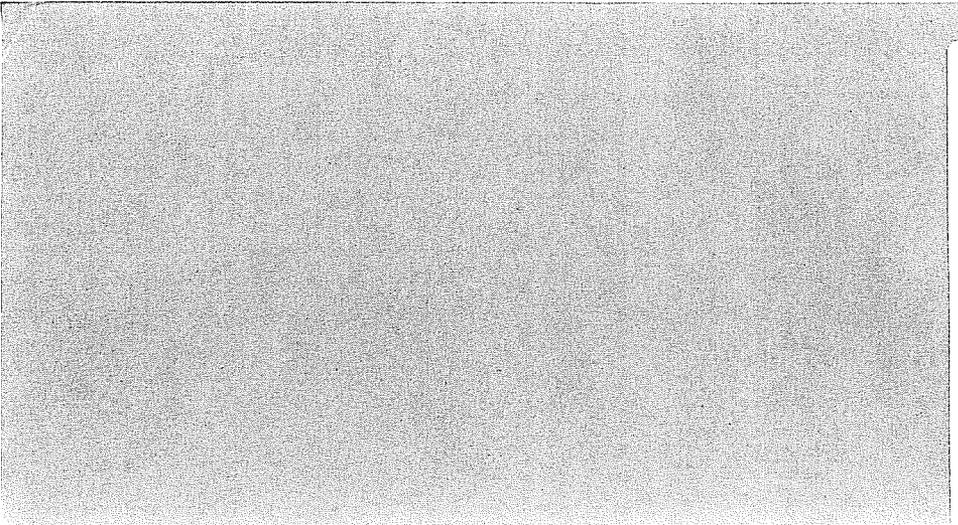
COLUMBIA GULF ONSHORE LA. = \$6.97

BASIS = \$.26

TENN. LA 800 LEG = 6.99

DOMINION TRANS. (APPAL) = \$7.40

BELFRY GAS COMPANY, INC
P. O. BOX 155
ALLEN, KY 41601



SEE K-1
AUG 29 2006
PM
41642

RECEIVED
AUG 30 2006
PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE COMMISSION
ATTN: MS. BETH O'DONNELL
211 SOWER BOULEVARD
P. O. BOX 615
FRANKFORT, KY 40602-0615